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## management matters

By Jacqueline McLean

# Fayol – standing the test of time

**Jules Henri Fayol** (1841-1925) has left an indelible mark on management history. **Jacqueline McLean** looks in detail at his pioneering theories and discovers how relevant they are to Administrative Management in the 21st Century.

An organisation is a complex entity. It is an intricate mix of diverse individuals, corporate cultures, structures, systems, technologies and processes. Managers are tasked with the responsibility of ensuring that human resources are recruited and deployed throughout the organisation, in the right place at the right time. In addition, they are expected to allocate, utilise and control material and financial resources in cost effective ways. Furthermore, they are accountable for co-ordinating the organisation's business activities, to ensure there is synergy between its micro and macro environments. Managers clearly face a challenge to effectively and efficiently manage both the organisation and the people working within it. Arguably, they may face these challenges and identify ways in which they can manage better by referring to the guiding principles of past and present management theorists. One such theorist is Jules Henri Fayol (1841-1925).

Henri Fayol is widely acknowledged as the earliest pioneer and advocate of the task of management (Parker and Ritson, 2005). His name is synonymous with a bygone era when management was an emerging discipline and the modern world was in the throes of the industrial revolution. As an early management practitioner and theorist, Fayol has been credited with laying the foundations upon which contemporary management theory and praxis has been built. His principles and functions of management have attracted discourse and debate in fields ranging from strategic management to historical principles of management. His theories have been critiqued and compared with some of the business and academic worlds' greatest thinkers, including John Kotter, Henry Mintzberg and Michael Porter (Pryor and Taneja, 2010).

Fayol's theories were espoused during a time of great change, environmental and societal uncertainty, innovation and economic growth (Burnes, 1996). The transmutation from an agrarian to industrial society engendered a steep rise in factorisation, the like of which the world had never witnessed before. This sparked large-scale theorisation into the organisation and how it should be managed (ibid). Fayol's contribution to classical management theory came from his extensive analysis of the management task, principally based on observations, personal insights and hands-on, practical experience of undertaking the job; much of which was at a senior level (Pugh and Hickson, 2007).

### Managing Organisational Activities

Fayol is widely recognised as having developed the 'administrative school' of management, which proposed that managers are responsible for administering the affairs of the whole organisation,

regardless of its size and the markets in which it operates (Davidson and Griffin, 2000). Based on this view, Fayol professed that an organisation's business life comprised of an amalgamation of six key activities (Parker and Ritson, 2005; Pugh and Hickson, 2007:97):

- Technical activities: production, manufacture, adaptation
- Commercial activities: buying, selling, exchange
- Financial activities: search for and optimum use of capital
- Security activities: protection of property and people
- Accounting activities: stocktaking, balance sheet, costs, statistics
- Managerial activities: planning, organisation, command, co-ordination, control

Fayol attested that the six activities were present in most jobs, albeit in varying degrees. However, he claimed that as managers climb the hierarchy, the importance of their managerial abilities would increase and the emphasis on their technical abilities would decrease (Parker and Ritson, 2005). Thus, this stressed the need for managers to possess the requisite knowledge, skills and competencies to proficiently carry out their roles. In fact, Fayol was the first advocate of management education (Pryor and Taneja, 2010).

### A Defining Moment in History

Through his experience as a managing director, Fayol empiricised about what constituted the task of 'management'; how it could be better executed; how management practice (and ostensibly, theory) could contribute to more efficiently and effectively run organisations. This led him to conclude: "*to manage is to forecast and plan, to organise, to command, to co-ordinate and to control*" (Pugh and Hickson, 2007:96). Thus in 1916 the first, and most enduring, definition of management was born. This later became known as the 'five functions of management'.

### Application of Fayol's Theory to Contemporary Management

Although it was proposed ninety-five years ago, Fayol's definition of management remains one of the most cited of modern times. The bedrock of his theory is its applicability and generalisability to a variety of managerial and organisational contexts (Rees and Porter, 2001), and it spans essential aspects of each manager's job, albeit in varying degrees. Fayol's five functions, and their application to contemporary management practice, is outlined below (Pugh and Hickson, 2007:98; Rausch, 2005; McLean, 2005).

1. **To forecast and plan.** According to Fayol, forecasting ('prévoyance' in French) involves analysing the future and drawing up a plan of action (Pugh and Hickson, 2007). Arguably, managers engage in an element of forecasting, analysis of the environment and appraising the microenvironment of the organisation through strategic planning (Hall and McShane, 2008). The globalised knowledge economy and the presence of ubiquitous change and competition make forecasting, planning and strategising key managerial activities.
2. **To organise.** Fayol believed that an organisation's structure was important, as it facilitated the optimum conduct of its business activities (Pugh and Hickson, 2007). In contemporary terms, to organise requires managers to implement an appropriate infrastructure, which will optimise the organisation's systems, resources, procedures, processes and services and enable knowledge to be disseminated to those who need it, when they need it (Stonehouse and Pemberton, 1999). Furthermore, organising also incorporates resourcing the organisation with appropriate human, financial and material resources.
3. **To command.** In his original writing, Fayol used the term 'command' to illustrate a manager's responsibility to lead and direct employees towards the achievement of organisational goals and strategies (Pugh and Hickson, 2007). 'To command' may sound rather draconian these days, but remember, Fayol espoused his theory during a period of widespread industrialisation and managers had a firm grip on how the organisation was run (classical school). They may not have exercised the participative management styles many of us are familiar with today. In 21st Century terms, Hall and McShane (2008) use the word leadership, instead of command, to describe the process of directing, influencing and motivating individuals to work towards the achievement of organisational goals and objectives (Yukl and Lespringer, 2005). Moreover, Fayol advocated that managers should develop a thorough knowledge of their employees (Pugh and Hickson, 2007), which, arguably, can be by engendering a positive psychological contract that engages employees with their jobs and the organisation.
4. **To co-ordinate.** Fayol suggested that managers should bind together, unify and harmonise all the organisation's activities and efforts. This translates to contemporary management practice, insofar as managers are responsible for ensuring that all the organisation's business activities are co-ordinated to maintain synergy and symbiosis between its functions and processes and internal and external contexts. Importantly, this includes the input-conversion-output process. Hall and McShane (2008) posit that co-ordination has now been subsumed into the function of organising, as there is synergy between them.
5. **To control.** Fayol recognised the importance of control within an organisation and espoused that it ensures "everything occurs in conformity with established rules and expressed command" (Pugh and Hickson, 2007:100). Using 21st Century parlance, control is one of the most important responsibilities of a manager and involves exercising appropriate leadership to ensure that everything is working according to plan and within budget, set timescales and allocated resources. Control works hand in hand with planning, strategising and organising (Hall and McShane, 2008) and seeks to facilitate the alignment of individual and organisational performance. In their role as controllers, managers must ensure that appropriate contingencies are in place to buffer deviations from original plans and swiftly deal with system anomalies, to prevent disruption to any of the organisation's business activities. Control could be seen as the underpinning function of management because without it, carrying out the other four functions would be extremely difficult.

As the above suggests, Fayol's definition of management translates into many of the contemporary issues managers are faced with on a day-to-day basis in their organisations. Of course, the utilisation of the functions could be viewed from a contingency approach, insofar as engagement in some or all of the functions may be dictated by the internal and external contexts of the organisation during various stages of its lifecycle. For example, experiencing periods of change, turbulence and uncertainty may require transformational leadership and more extensive planning, strategising and controlling. Times of stability may warrant more emergent approaches to strategy formation and the exercising of looser control. It all depends!

### An Indelible Mark on History

Without doubt, Fayol has left an indelible mark on management history. Ninety-five years on, his theory has stood the test of time (Fells, 2000) and is still relevant and valuable to contemporary organisational leaders (Pryor and Taneja, 2010) because he 'walked the walk' and lived the realities, challenges, highs and lows of being a manager. Through his theory, Fayol has forged an inextricable link between the manager and the organisation. Of course, like any good theory, managers can interpret, apply, evaluate and critique Fayol's five functions of management according to their own contexts.

Although his contribution to management and organisational theory is unquestionable, Fayol has been accused of the romanticisation of management (Merkle, 1980) and presenting an almost 'quasi-autobiographical' approach to management theorisation, which, consequently, remains a key part of contemporary management literature in the 21st Century (Parker and Ritson, 2005).

In tribute to Fayol's contribution to historical and contemporary management theory, Hales (1993:3) professes "if all philosophy is a set of footnotes to Plato, management theory is, in large measure, a reply to Fayol's original memo."

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